August 14th, 2012

Honorable James M. Peck
United States Bankruptcy Judge
One Bowling Green
New York, New York
10004

Re: Docket No. 22695 VEBA Order
Nov. 23, 2011 Letter of Debtor Counsel
July 23rd 2012 Letter from Lehman HR

Dear Honorable Judge Peck,

I received the attached letter from Lehman Brothers dated July 23rd 2012 which deals with the status of health benefits for Lehman retirees. This subject was raised before your Honor in court in November 2011 which, at that time, focused on the transfer of certain shares to the Holding Company ("LBHI"). While the share transfer may not have created an issue, the lawyers for LBHI raised the claim that there would seek for itself, all of the assets – approximately $25,000,000 - in the VEBA Trust. I had filed an objection to the Debtor's Motion in the VEBA matter and appeared at the hearing on November 16th, 2011, before your Honor. While I have no basis to confirm or deny the factual statements, I find it very frustrating that nothing has been done to date.

As a result of the Hearing, I was under the impression that special counsel would be appointed to represent the interests of various groups which may have a claim on the VEBA Trust assets. I believe there may have been several interpretations of the Court's statement. Regardless of the different interpretations, the most recent letter from LBHI indicates that counsel has never been retained. I find this most disappointing. It certainly raises many questions about due process, fairness, and conflict of interest.

I find it hard to believe that a law firm could not be found to represent the various classes. This has been over eight months since the hearing and we are situated in what may be considered the most lawyer prominent area of the country, so that representation seems absolutely unbelievable. The letter indicates that many prominent law firms are conflicted. What the objectors need is independent, honest, and competent counsel who will represent them. I am not so sure that anyone who has represented parties in the Bankruptcy proceeding would have that independence.

The extensive delay and incredulous statements raise questions as to whether Lehman Brothers should be involved in the selection process at all. They are an adversary to the other parties who are seeking to determine their rights. Simply put, LBHI wants the $25,000,000 for themself and does not want the other parties to have a claim. This is a very plain conflict of interest in letting one party pick the counsel for its adversary.

Certainly, the actions of the Debtor to date raise the question whether they intend to comply with the Court's directions. In light of the inherent conflict and extensive unjustified delay, I would suggest to the Court that they ask the Department of Labor get involved in the selection process.

Thank you for taking the time to review this request.

Respectfully
Steven G. Delaney
Steven G. Delaney

Copies of this Letter have been sent or emailed to:

Clerk of Court
Richard P. Krasnow, Esq.
Jeffrey S. Margolin, Esq.
Leonard Gerson, Esq.
LBHI at hrservices@lehmanholdings.com

at the disclosed addresses.

LEHMAN BROTHERS

July 23, 2012

RE: Status of Retiree Health and Medical Coverage

Dear Lehman Brothers Pre-65 Retiree:

The purpose of this letter is to provide you with an update of the retiree medical insurance coverage which is currently available to you through Aetna.

Background

As you may recall, a Notice of Termination of Retiree Health and Medical Benefits was sent to you in October 2009, informing you that Lehman Brothers Holdings Inc. exercised its right to terminate all Retiree Health and Medical Benefits effective December 31, 2009.

Although Lehman Brothers Holdings Inc. had exercised its right to terminate this coverage, Aetna (and not Lehman Brothers Holdings Inc.) agreed to continue to offer a substitute health care option that provided similar benefits to what was available to eligible retirees age 65 and older through the Lehman Brothers plan. Initially, it was intended that the cost of the substitute health care option would be borne entirely by individuals electing such coverage, with no funding provided by Lehman Brothers Holdings Inc.

Since you were under the age of 65 and were not eligible for the Group Access-only Plan, LBHI offered to allow you to maintain your healthcare coverage through Lehman Brothers Holdings Inc. for the time being, but the entire cost of such coverage was to be borne by you. Lehman Brothers Holdings Inc. made this offer **solely** as an accommodation to allow you to transition to the Group Access-only Plan when you turn 65 years old. Lehman Brothers Holdings did not assume any responsibility for any cost associated with your continued healthcare coverage and reserved the right to terminate or amend your healthcare coverage or the terms of such coverage at any time and for any reason.

In early 2010, the SIPA Trustee for Lehman Brothers Inc, expressed his intention to allow the Lehman Health Care Trust (also known as the "VEBA") to be used for premium payments for retirees electing the substitute coverage through Aetna. Although the Lehman Brothers Retiree Health and Medical Benefits Plan was terminated as of December 31, 2009, the Lehman Brothers Health Care Trust funded a substantial portion of the total premiums payable to Aetna for the substitute coverage for 2010, 2011 and will continue to do so through the end of 2012, allowing retirees to benefit for 3 full years after the plan's termination date by paying only a small portion of the premiums (roughly equivalent to what they paid prior to the termination of the Lehman Brothers Retiree Health and Medical Benefits plan).

The Aetna arrangements and the amounts paid by the Lehman Brothers Health Care Trust (the "VEBA") are subject to change from year to year, or at any other time. The arrangements for 2013 are currently being reviewed and additional information will be provided later this year

regarding coverage options and whether funding will be provided by the Lehman Brothers Health Care Trust (the "VEBA") for 2013.

Status of the Lehman Brothers Health Care Trust (also known as "VEBA")

The Lehman Brothers Health Care Trust (the "VEBA") was established on September 12, 2008 as a voluntary employee beneficiary association under section 501(c) (9) of the Federal tax code. The purpose of the Trust was to fund medical, dental, prescription drug, death and other eligible benefits for participants in the Lehman Brothers Holdings Group Benefits Plan eligible for benefits, without distinction between active employees and retirees. The Lehman Health Care Trust was established by Lehman Brothers Inc. through wholly owned subsidiary called ACESO Holdings Inc. ("Aceso"), using funding provided to it by Lehman Brothers Holdings Inc. specifically for the purpose of establishing a health care trust to fund the payment of eligible benefits to participants in the group health plan sponsored by Lehman Brothers Holdings Inc.

In 2008, the Lehman Brothers Group Benefits Plan was a self-insured plan, meaning that instead of purchasing insurance from an insurance company and paying the insurer a per-employee premium, the employer acts as its own insurer, using the money it would have otherwise paid an insurance carrier to pay claims directly. Effective January 1, 2009, the Lehman Brothers Group Benefits Plan became a fully insured plan, with per-employee premiums paid to an insurance company. The initial contribution to fund the Trust was $95,000,000.

Since September 12, 2008, the funds in the Lehman Brothers Health Care Trust (the "VEBA") have been utilized for their stated purpose, namely to fund medical, dental, prescription drug and other eligible benefits for participants in the Lehman Brothers Group Benefits Plan who were eligible for such benefits.

From its inception through December 31, 2011, the Lehman Brothers Health Care Trust (the "VEBA") has funded the following amounts:

- Claims and administrative expenses of approximately $32,460,000 related to 2008, during the time the plan was self-insured.

- Premiums paid to Insurance Carriers of approximately $15,774,000 for January, February and March 2009 for insurance premiums for covered individuals including active employees, retirees and individuals on long term disability.

- Premiums paid to Insurance Carriers for the periods January through December 2010 and January through December 2011 of approximately $5,278,000 and $6,348,000 respectively, related to retirees and individuals on long term disability. The Lehman Health Care Trust did not fund premiums related to active employees during this period.

The balance in the Lehman Health Care Trust as of December 31, 2011, after disbursements net of premiums collected from covered individuals and investment earnings on funds in the account was approximately $35,140,000.

The projected net expenses for 2012 for the Lehman Health Care Trust (net of premiums collected from covered individuals (active employees of LBHI, retirees and individuals on long term disability) and earnings on the fund balance in Trust) are approximately $7.8 million.

Amounts paid by Lehman Brothers Holdings Inc. Post-Bankruptcy

In March 2009, the SIPA Trustee acting on behalf of Lehman Brothers Inc. ceased funding benefits through the Lehman Health Care Trust, pending a settlement of issues between it and Lehman Brothers Holdings Inc. Immediately thereafter Lehman Brothers Holdings Inc. commenced payment for such benefits as follows:

- Lehman Brothers Holdings Inc. funded premiums to Insurance Carriers for retirees, and individuals on long term disability for the period April 2009 – December 2009, which allowed coverage to remain in effect and uninterrupted for such retirees and individuals on long term disability. These expenses were approximately $5,600,000.

- In addition, Lehman Brothers Holdings Inc. funded premiums to carriers for active employees of Lehman Brothers Holdings Inc. for the period April 2009 – December 2011, of approximately $20,000,000, in order to provide employees of the bankrupt estate with continued benefits coverage.

Lehman Brothers Holdings Inc. intends to petition the Department of Labor for a waiver which would allow the Lehman Health Care Trust (the "VEBA") to reimburse Lehman Brothers Holdings Inc. for approximately $25,600,000 relating to payments made by Lehman Brothers Holdings Inc. post-bankruptcy, that had been intended to be funded by the Lehman Brothers Health Care Trust at the time the Trust was created.

Transfer of Ownership of Lehman Health Care Trust (the "VEBA") from Lehman Brothers Inc. to Lehman Brothers Holdings Inc.

In a joint motion filed with the Bankruptcy Court on October 21, 2011, Lehman Brothers Holdings Inc. and the SIPA Trustee for Lehman Brothers Inc. requested that the Court approve the sale of 100% of the stock of ACESO Holdings Inc. ("Aceso") , the entity which owned the Lehman Health Care Trust, from Lehman Brothers Inc. to Lehman Brothers Holdings Inc. During the course of the hearing held on November 16, 2011 the Court indicated that it was prepared to grant the motion regarding the sale of the shares of Aceso from Lehman Brothers Inc. to Lehman Brothers Holdings Inc., but requested that Lehman Brothers Holdings Inc. independently consider addressing two issues that had been raised by certain retirees and

individuals on long term disability either in filings with the Court or in statements made in the record of the Hearing.

Lehman Brothers Holdings Inc. and its legal representative advised the Court that Lehman Brothers Holdings Inc. would retain special counsel tasked with undertaking an independent analysis of whether or not any individuals may have had vested medical benefit entitlements.

Lehman Brothers Holdings Inc. has endeavored to identify a law firm to retain as special counsel to undertake this analysis. The search for a law firm has been complicated by legal conflict issues of many prominent law firms. The work will commence once a law firm has been identified and an engagement letter has been signed by both parties. **However, if you have any documentation that you wish to provide to Lehman Brothers at this time to be considered in connection with the analysis of vested medical benefit entitlements, please feel free to forward copies of this information to:**

Lehman Brothers Holdings Inc.
HR Service Center
1271 Avenue of the Americas, 39th Floor
New York, NY 10020
Tel: 646-285-9800
Email: hrservices@lehmanholdings.com
Fax: 646-285-9319

Please feel free to contact the Lehman Brothers HR Service Center at 646-285-9800 (or hrservices@lehmanholdings.com) if you have any questions.